

November 2005



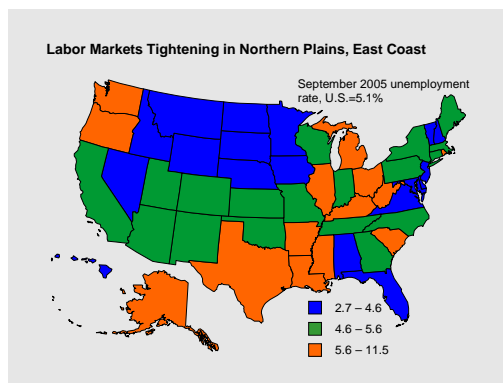
# North Dakota REV-E-NEWS

## From Pam Sharp, Director Office of Management and Budget 600 E. Blvd. Ave., Dept. 110—Bismarck, ND 58505-0400

### Lowest unemployment in the nation!

Job Service North Dakota recently announced that North Dakota's September non-seasonally adjusted unemployment rate of 2.8% was the lowest in the nation. Nationally, the seasonally adjusted average for September was 5.1%. Economic growth continues to increase employment gains in North Dakota and across the nation, in many places outpacing

labor market growth – resulting in lower unemployment. The following chart, prepared by *Economy.com*, shows September unemployment rates across the nation. Highest unemployment rates are shown for hurricane impacted regions of the gulf coast, the manufacturing centers of the Midwest, and the Northwest. Lowest unemployment rates are concentrated in the upper plains states and the Rocky Mountain States to the west.



### Higher heating costs expected, but economic impact should be minimal!

Consumers across the nation will face higher heating bills this winter. The largest increases are anticipated for natural gas users, which are heavily concentrated in North Dakota and other Midwestern states. However, a mild winter and recent inventory

increases have provided some positive news – natural gas prices dropped sharply in the beginning of November. Still, winter heating prices will be significantly higher than they were a year ago. However, on average, heating costs are a small percentage of total consumer spending. If the winter is mild, the higher energy prices should have only a small negative impact on disposable income.

### GFOA Award for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) has presented two distinguished awards to the State of North Dakota. The Certificate of Achievement for Excellence in Financial Reporting was awarded for the state's comprehensive annual financial report (CAFR)

for fiscal year 2004. In addition, the Distinguished Budget Presentation Award was presented for the 2005-07 biennium budget documents. This is the fourteenth consecutive year the State of North Dakota has received the Certificate of Achievement in Excellence in Financial Reporting Award and the seventh consecutive biennium the state has received the Distinguished Budget Presentation Award.

## Oil Activity

Average oil production in September topped the 100,000 barrel per day mark at an estimated 101,400 barrels. August production was 99,900 barrels per day. Drilling permit activity more than doubled, from 27 new permits being issued in August to 61 permits issued in September. The average price for

North Dakota crude continues well above forecasted prices. Current prices have dipped to approximately \$52 per barrel; September prices averaged around \$60 per barrel, unchanged from August and up slightly from July. The current rig count is 30, 6 more rigs than were operating one year ago.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
***Compared to the Legislative Forecast***  
**2005-07 BIENNIUM**  
**October 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	34,121,000	38,047,378	3,926,378	11.5%	120,738,000	134,693,254	13,955,254	11.6%
Motor Vehicle Excise Tax	5,921,000	4,924,718	(996,282)	-16.8%	23,351,000	22,451,819	(899,181)	-3.9%
Individual Income Tax	12,271,000	23,121,024	10,850,024	88.4%	59,692,000	77,045,647	17,353,647	29.1%
Corporate Income Tax	2,892,000	14,519,315	11,627,315	402.1%	2,892,000	21,692,531	18,800,531	650.1%
Insurance Premium Tax	66,000	213,025	147,025	222.8%	4,866,000	2,538,210	(2,327,790)	-47.8%
Financial Institutions Tax		38,634	38,634	100.0%	-	53,784	53,784	100.0%
Oil & Gas Production Tax	2,173,000	5,831,287	3,658,287	168.4%	9,819,000	20,506,149	10,687,149	108.8%
Gaming Tax	950,000	761,638	(188,362)	-19.8%	3,050,000	3,136,562	86,562	2.8%
Lottery		-			-	-		
Interest Income	282,000	764,017	482,017	170.9%	928,000	2,298,100	1,370,100	147.6%
Oil Extraction Tax	2,400,000	3,213,808	813,808	33.9%	9,798,000	11,617,750	1,819,750	18.6%
Cigarette & Tobacco Tax	1,579,000	1,866,496	287,496	18.2%	6,727,000	7,642,272	915,272	13.6%
Departmental Collections	1,426,000	1,512,453	86,453	6.1%	7,262,000	5,078,821	(2,183,179)	-30.1%
Wholesale Liquor Tax	527,000	440,586	(86,414)	-16.4%	2,137,000	2,172,411	35,411	1.7%
Coal Conversion Tax	2,065,000	2,081,351	16,351	0.8%	8,444,000	8,441,413	(2,587)	0.0%
Mineral Leasing Fees	500,000	1,451,764	951,764	190.4%	1,250,000	2,167,637	917,637	73.4%
Bank of North Dakota-Transfer					-	-		
State Mill & Elevator-Transfer					-	-		
Gas Tax Admin-Transfer	175,000	175,000		0.0%	350,000	350,000	-	0.0%
Other Transfers		45,190	45,190	100.0%	30,000,000	30,120,120	120,120	0.4%
<b>Total Revenues and Transfers</b>	<b>67,348,000</b>	<b>99,007,683</b>	<b>31,659,683</b>	<b>47.0%</b>	<b>291,304,000</b>	<b>352,006,479</b>	<b>60,702,479</b>	<b>20.8%</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Previous Biennium Revenues**  
**2005-07 BIENNIUM**  
**October 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	October 2003	October 2005	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	33,682,747	38,047,378	4,364,631	13.0%	117,033,767	134,693,254	17,659,487	15.1%
Motor Vehicle Excise Tax	5,758,025	4,924,718	(833,307)	-14.5%	22,571,348	22,451,819	(119,528)	-0.5%
Individual Income Tax	21,619,556	23,121,024	1,501,468	6.9%	67,208,595	77,045,647	9,837,053	14.6%
Corporate Income Tax	3,087,369	14,519,315	11,431,946	370.3%	3,210,760	21,692,531	18,481,771	575.6%
Insurance Premium Tax	307,541	213,025	(94,516)	-30.7%	3,506,153	2,538,210	(967,943)	-27.6%
Financial Institutions Tax	(86,059)	38,634	124,693	-144.9%	18,661	53,784	35,123	188.2%
Oil & Gas Production Tax	1,580,069	5,831,287	4,251,218	269.1%	7,471,982	20,506,148	13,034,167	174.4%
Gaming Tax	903,840	761,638	(142,202)	-15.7%	4,053,872	3,136,561	(917,310)	-22.6%
Lottery	-	-	-	-	-	-	-	-
Interest Income	91,924	764,017	672,093	731.1%	299,197	2,298,100	1,998,902	668.1%
Oil Extraction Tax	1,136,849	3,213,808	2,076,959	182.7%	4,862,914	11,617,750	6,754,835	138.9%
Cigarette & Tobacco Tax	1,760,514	1,866,496	105,982	6.0%	6,783,630	7,642,272	858,642	12.7%
Departmental Collections	28,216,047	1,512,453	(26,703,594)	-94.6%	63,921,041	5,078,820	(58,842,220)	-92.1%
Wholesale Liquor Tax	463,106	440,586	(22,520)	-4.9%	2,011,831	2,172,411	160,580	8.0%
Coal Conversion Tax	2,007,483	2,081,351	73,868	3.7%	8,316,754	8,441,413	124,659	1.5%
Mineral Leasing Fees	486,985	1,451,764	964,778	198.1%	1,218,061	2,167,637	949,576	78.0%
Bank of North Dakota-Transfer	-	-	-	-	-	-	-	-
State Mill & Elevator-Transfer	-	-	-	-	-	-	-	-
Gas Tax Admin-Transfer	174,525	175,000	475	0.0%	349,050	350,000	950	0.3%
Other Transfers	1,868	45,190	43,322	2319.6%	13,424,159	30,120,120	16,695,961	124.4%
<b>Total Revenues and Transfers</b>	<b>101,192,390</b>	<b>99,007,683</b>	<b>(2,185,182)</b>	<b>-2.2%</b>	<b>326,261,775</b>	<b>352,006,478</b>	<b>25,744,703</b>	<b>7.9%</b>

# Revenue Variances

Overall revenue collections for the month of October exceeded the forecast by \$31.7 million, bringing biennium to date collections to \$352.0 million, \$60.7 million more than estimated. Notable variances are as follows:

Sales tax collections exceeded the legislative forecast by \$3.9 million for the month, \$14.0 million for the biennium. This variance appears to be a reflection of the growing economy and the fact that economic growth has exceeded expectations.

Motor vehicle excise tax collections fell short of projections by nearly \$1.0 million for the month, but remains very close to forecasted amounts for the biennium to date.

Individual income tax collections exceeded projections by a wide margin, exceeding monthly projections by \$10.9 million and biennium to date projections by \$17.4 million. Approximately half of this monthly variance is attributable to timing of withholding collections anticipated to be received in November. However, the balance is attributable to personal income growth being higher than anticipated, resulting in higher than forecasted growth in personal income tax collections.

Corporate income tax collections exceeded the legislative forecast by \$11.6 million for the month, \$18.8 million for the biennium. This variance is attributable to substantial audit collections that were received in October. Be-

cause of uncertainty surrounding when audits are likely to be collected, the forecast assumes a small amount of audit collections each month. However, when audits are actually collected, they tend to result in a large variance in the month of collection. The October audit collections exceed the total amount estimated for the fiscal year, but not for the biennium.

As a result of crude oil prices greatly exceeding forecasted prices, oil and gas taxes exceeded the monthly forecast by \$4.5 million, \$12.5 million for the biennium.

Cigarette and tobacco taxes exceeded the monthly forecast by nearly \$300,000 for the month and by over \$900,000 for the biennium. This appears, in part, to be a result of cross-border buying by Minnesota residents avoiding the comparatively higher cigarette and tobacco tax rates in their home state.

## *Comments or Questions???*

### *Call*

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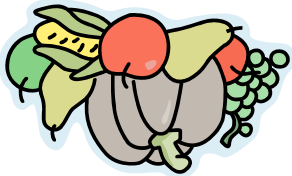
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